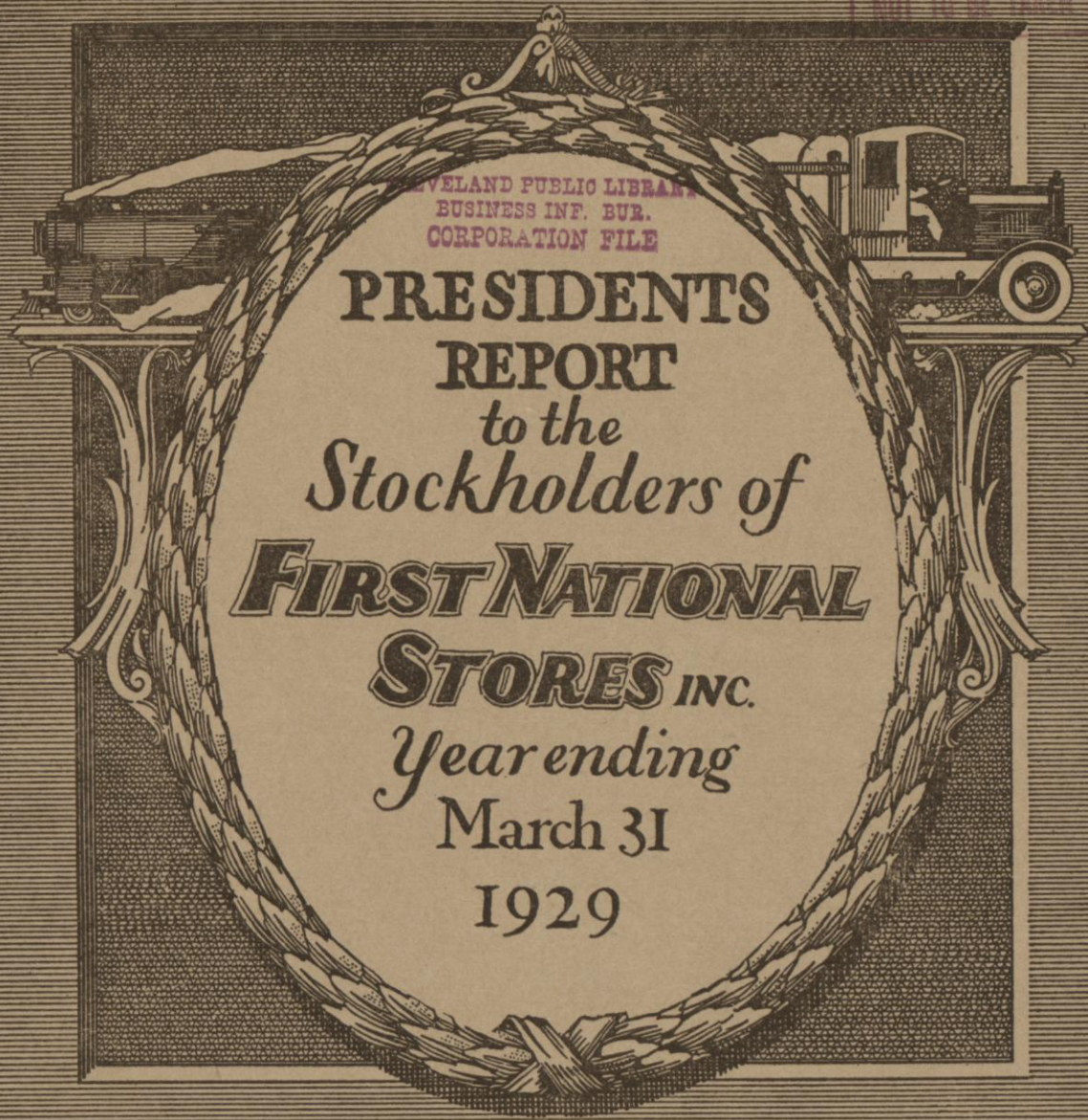


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**PRESIDENTS
REPORT**
*to the
Stockholders of*
**FIRST NATIONAL
STORES INC.**
*Year ending
March 31
1929*

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Officers

CHARLES H. FARNSWORTH, <i>President</i>	AUGUSTUS F. GOODWIN, <i>Chairman</i>
JAMES C. DUANE	<i>Vice-President</i>
MARTIN CURRY	<i>Vice-President</i>
ARTHUR E. DORR	<i>Vice-President</i>
CHARLES F. ADAMS	<i>Treasurer</i>
RALPH F. BURKARD	<i>Assistant Treasurer</i>
ARTHUR O'KEEFFE	<i>Clerk</i>

Directors

CHARLES F. ADAMS
AUGUSTUS F. GOODWIN
RALPH F. BURKARD
ROBERT F. IRWIN
MARTIN CURRY
BERNARD F. MCGOLDRICK
ARTHUR E. DORR
CHARLES E. MERRILL
JAMES C. DUANE
ARTHUR O'KEEFFE
CHARLES H. FARNSWORTH
MICHAEL O'KEEFFE
NATHANIEL E. WHITTEMORE

PRESIDENT'S REPORT

To The

Stockholders of

First National Stores Inc.

Year Ending March 31st, 1929



Exterior of a typical First National Combination Meat, Vegetable and Grocery Store. Of this larger market type of store the Company had 121 in operation at March 31st, 1929.



Exterior of a typical First National Neighborhood Grocery Store of which the Company had 1881 in operation at March 31st, 1929.

May 31, 1929

To the Stockholders of First National Stores Inc.:

On behalf of your Directors, I take great pleasure in presenting to Stockholders, for their consideration, the results of the operations of their Company for the fiscal year ending March 31st, 1929.

As indicated by the following summaries and statements there has been a gratifying increase in Sales, Net Profits and Net Worth.

Sales

For the year ending March 31st, 1929, as compared with the previous year, GAINED 17% or \$11,438,677.

Net Profits

On the same yearly comparative basis, GAINED 82% or \$1,311,526.

Grocery Stores

On the same yearly comparative basis, INCREASED 16% or 285 stores.

Combination Grocery and Meat Markets

On the same yearly comparative basis, INCREASED 84% or 55 stores.

Per Share Common Stock Earnings

On the same yearly comparative basis, GAINED 102% or per share—\$2.15.

Net Working Capital

On the same yearly comparative basis, INCREASED 37% or \$1,651,455.

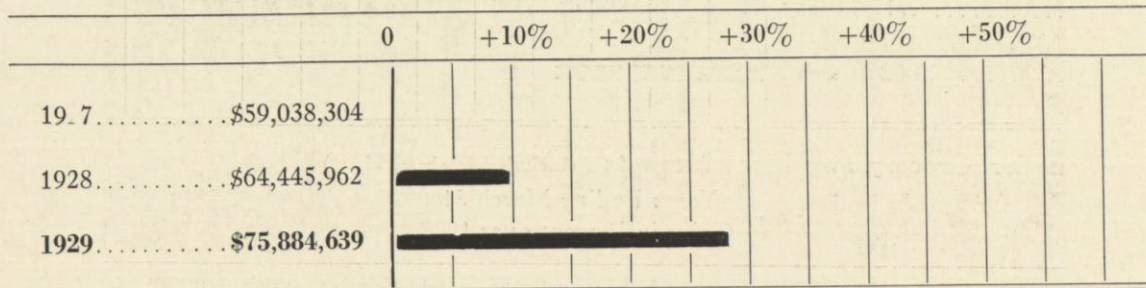
Surplus

On the same yearly comparative basis, INCREASED 88% or \$1,519,933.12

The following charts are presented in graphic form with the thought that a clearer understanding of comparative 1927, 1928 and 1929 results is thus made possible:

Retail Store Sales

Retail Store Sales Years Ending March 31st
Gains in Percent Over 1927

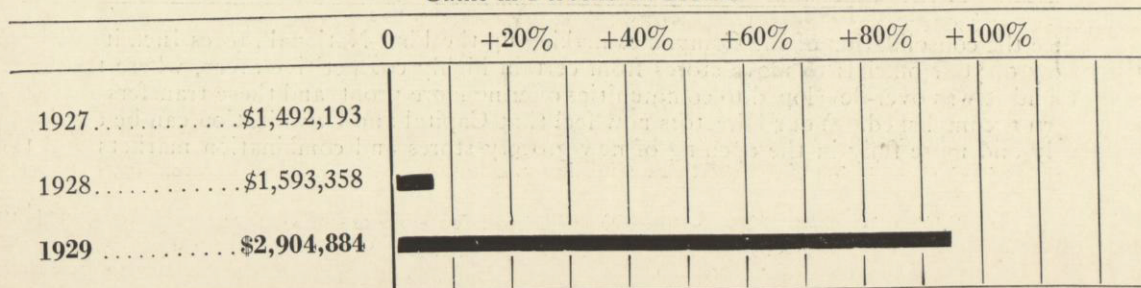


Of the increase in Retail Sales acquired stores furnished 9% and old stores 91%. The increasing per store sales evidence your Company's Executives' intention to maintain leadership in New England in giving the food consumer greater and increasing value in quality and price and the best service.

Net Profits—Available for Dividends

After all expenses, including Depreciation and Taxes.

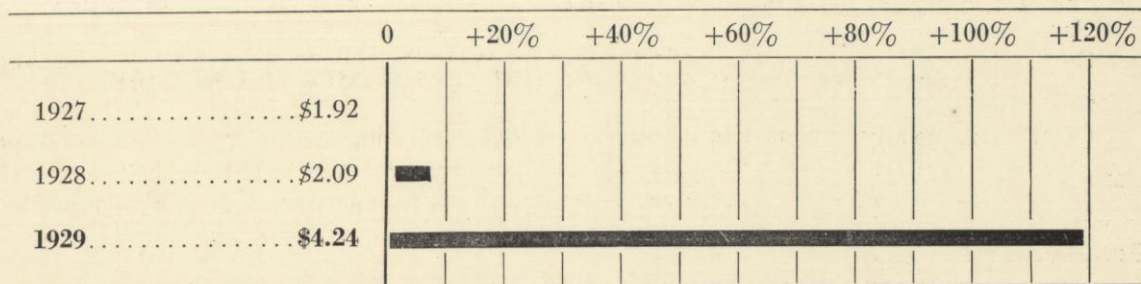
Net Profits, Years Ending March 31st
Gains in Percent Over 1927



Stockholders will no doubt regard with gratification the very large increase in Net Profits and many factors have contributed to this achievement. Greater per store Sales, making lower store expenses per dollar of sales. The efficiency of our new Somerville Base, now operating at low costs. The Manufacturer's Profits from our growing manufacturing departments. Additional profits from new stores and markets opened by us and a grocery chain acquired by purchase.

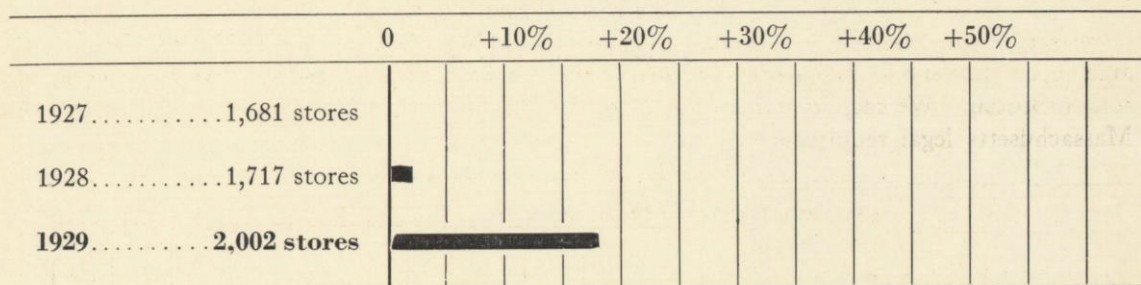
Per Share Common Stock Earnings

After all expenses, including Depreciation and Taxes and Preferred Stock Dividends.
 Years Ending March 31st
 Gains in Percent over 1927



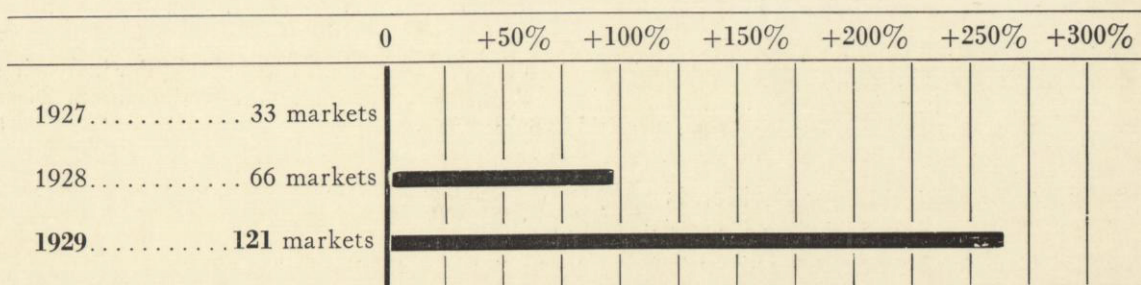
Stores and Markets

Years Ending March 31st
 Gains in Percent over 1927



Combination Grocery and Meat Markets (Included in above chart)

Years Ending March 31st
 Gains in Percent over 1927



Since the consolidation of the Companies making up the First National Stores Inc., it has been the policy of your officials to move stores from certain highly competitive areas, where the Company found it was over-developed to communities offering more profit, and these transfers generally have been accomplished. Your Directors now feel that Capital and Organization can be employed profitably and more fully in the opening of new grocery stores and combination markets and the acquisition of existing chains.

As of January 1st, 1929, your Company acquired The Mayflower Stores Inc., operating 191 stores in Rhode Island, with a warehouse, administrative offices and a bakery in Providence. This acquisition is a most valuable one, for it gives your Company a Base in Providence from which

125 First National Stores in Rhode Island and Eastern Connecticut will be served for more economical operation, and your Directors plan to open additional stores in new communities that can be served economically and profitably from this Base. The Mayflower Stores as a chain began business in 1915. It has been known as a quality chain with a consistent record of satisfactory net profits.

Your Directors expect to shortly complete the negotiations for the acquisition of another large chain in Southern New England which will permit a more rapid development in that territory.

Your Company now operates 1,460 stores and combination markets in Massachusetts; 126 in New Hampshire; 45 in Vermont; 91 in Maine; 237 in Rhode Island; 43 in Connecticut.

FACTS AND STATISTICS CONCERNING THE SOMERVILLE "BASE"

Floor area 484,680 square feet—11 acres. From the Shipping Platform 60 auto trucks can be loaded simultaneously. The Receiving Platform, with the same length, on the railroad side of the building, is sufficient to take care of 30 freight cars at one time. The Bakery has two 110-foot traveling ovens where bread is baked wholly by electricity, with a capacity of 1,000,000 loaves a week.

The estimated tonnage going in and going out of this Base amounts to 5,000 tons weekly.

The manufacturing department covers large production of Ginger Ale and Tonics, Jams, Preserves, Salad Dressing, and in general a great variety of foodstuffs. The Garage can house 100 autos and the print shop turns out more work than many successful printing companies.

Your Company sells the output of The Bellows Falls Co-operative Creamery Inc. The largest co-operative milk plant in New England, it takes the output of 1,200 dairymen. Bottled immediately upon delivery at creamery, it comes to the consumer 24 hours fresher than the average milk sold in Boston. We keep its standard of butter fat (the measure of richness) 20 per cent higher than Massachusetts legal requirements.

ADDITION TO THE "BASE" AT SOMERVILLE

Your Directors have recently approved plans and specifications for the erection of a new fire-proof building adjoining the present "Base" at Somerville. In area it will approximate 217,000 square feet and it will be so constructed that additional space can be added when required.

This building will be devoted primarily to the handling of meats and the manufacture of meat by-products. Carload shipments can be received, prepared and distributed to the company's markets at a minimum of cost.

We know of no other comparable plant in the country where the same high degree of scientific handling, sanitation and refrigeration prevails. The same methods and installation in another part of the plant will be used for fish, fruits and vegetables.

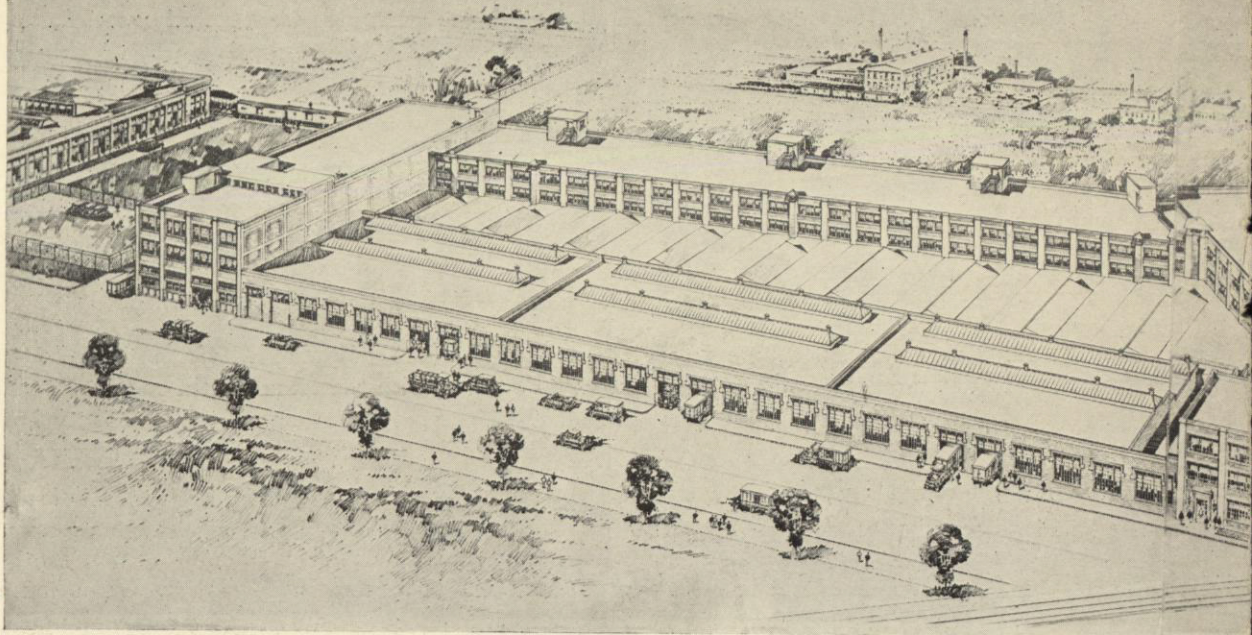
Ever seeking to arrive at "first costs" space has been allocated to a candy and to a cake manufacturing department. A modern laundry will be installed and additional space given to the growing requirements of the manufacture of foods.

Your Directors, having this assured and growing business, believe the operation of this plant should benefit your Company because its efficiency will result in lower operating costs, a reduction in waste and the definite value of better service to markets and consumers.

DEPRECIATION CHARGES

The sum of \$456,196.96 was deducted from Operating profits for the year to cover depreciation on Buildings, Building Improvements, Fixtures, Machinery, Equipment, Motor Trucks, Autos and all tangible assets susceptible to physical depreciation and which are carried at actual costs on the Company's books. This sum, in the opinion of your Directors, is conservatively adequate.

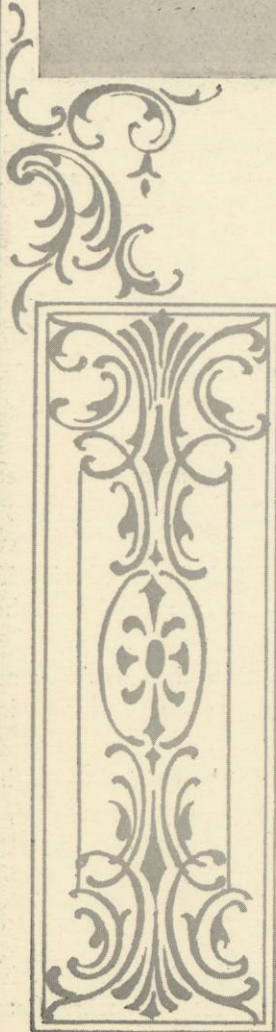
•FIRST NATIONAL STORES, INC.
 •SOMERVILLE, MASS.

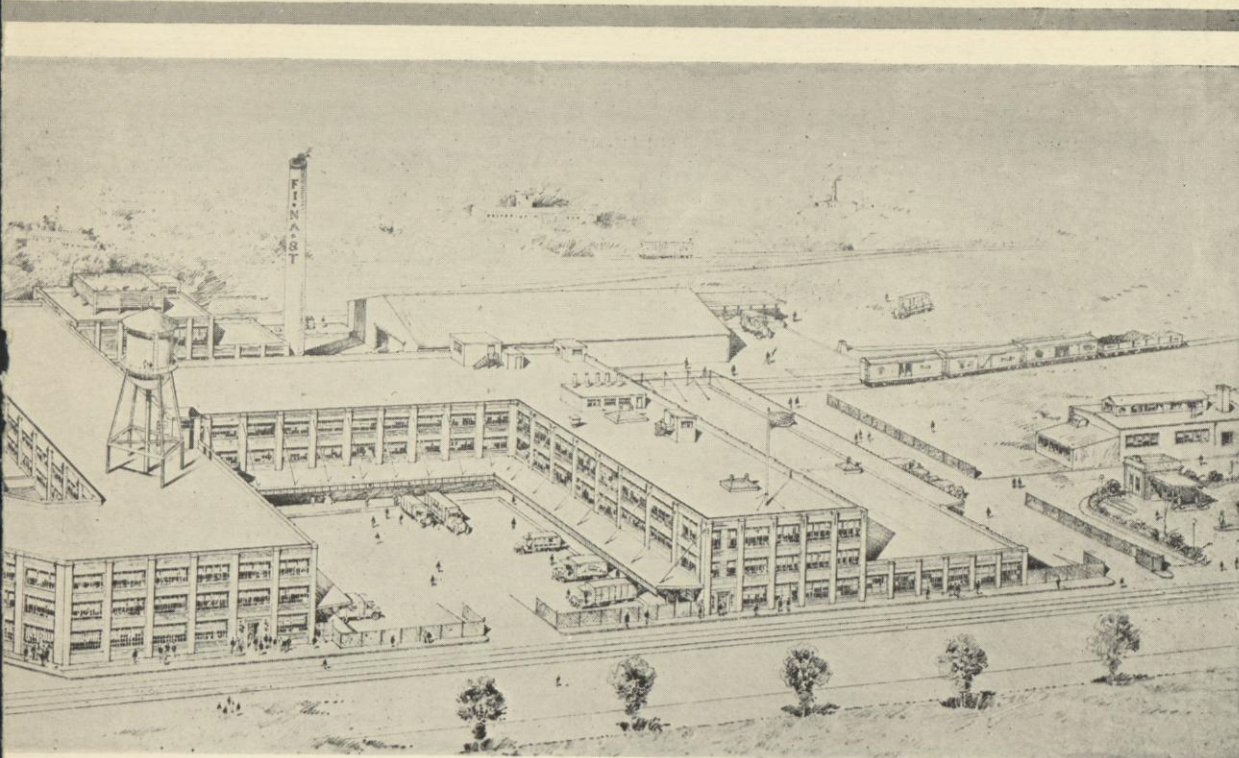


THE SOMERVILLE "BASE" OF

The larger section to the left of the square court is the original building finished and occupied in the Receiving and Shipping Departments, Garage, Printshop, Cafeteria and Administrative Offices. To the right of the roof tank and around two sides of the court may be seen the proposed additional facilities for the storage and distribution of Meats, the Distribution of Fresh Fruits and Vegetables

BELOW:—Interior of a typical First National Combination Meat, Vegetable and

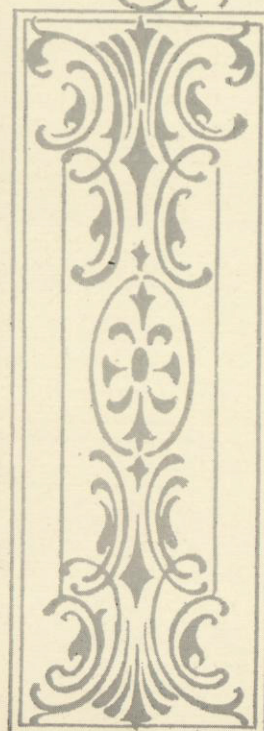




THE FIRST NATIONAL STORES

the fall of 1927. On eleven acres of floor space are housed Warehouse, Bakeshop, Manufacturing, and extension to our Manufacturing activities. This addition will house principally the Warehouse and extension to our Manufacturing activities.

and Grocery Store, 121 of which the Company had operating on March 31, 1929.



DIVIDENDS

Your Company might be justified in increasing its Common stock dividends, but in view of the large and yet conservative expansion plans and the probable acquisition of other chains, it is the belief of your Directors (all of whom are large stockholders) that for the immediate future the interests of stockholders are best served by a continuation of a conservative dividend policy.

ANNUAL MEETING OF STOCKHOLDERS—PROXIES

Accompanying this report is a notice of the Annual Meeting of Stockholders of your Company. Our Common stockholders will also receive herewith a proxy made out to a Committee, with a return stamped envelope.

On behalf of your Directors I should appreciate it if our Common stockholders, following their usual custom, will send us their proxies promptly, as an early receipt will facilitate checking and listing.

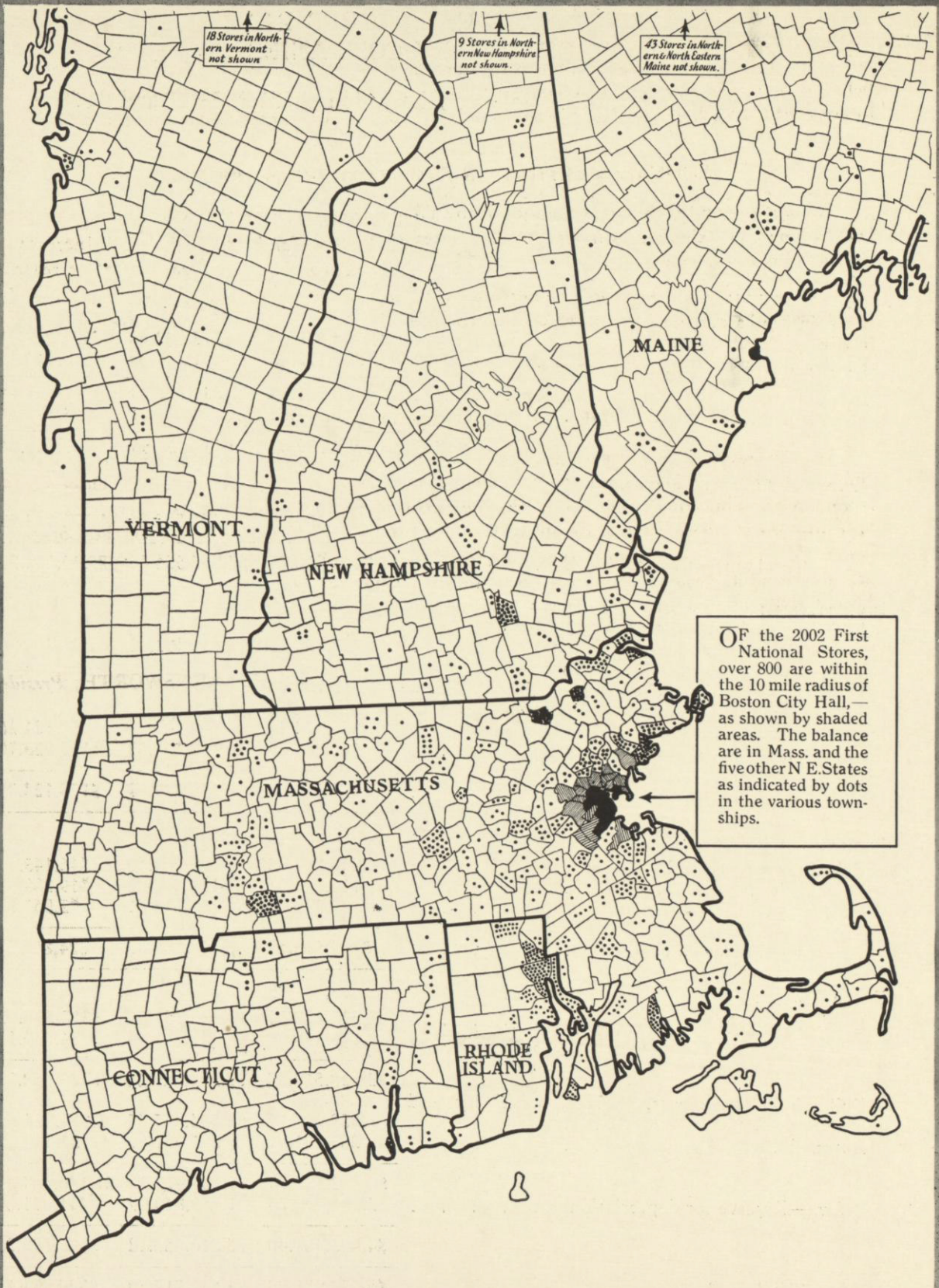
YOUR DIRECTORS AND OFFICERS

In closing, it is a pleasure to pay a public tribute to my associates and the Company's employees who have given such harmonious and successful direction to its affairs. Those who are largely responsible for the success of the business will continue to direct its operations. Your Directors, with two exceptions, are all working executives who have grown up with the Companies which entered into the consolidation. I consider that the greatest Asset of the Corporation does not appear on its Balance Sheet—its executive and operating personnel, all of whom have assisted so materially in creating the prosperity of your company.

CHARLES H. FARNSWORTH, *President*

For the Directors,

FIRST NATIONAL STORES INC.



18 Stores in Northern Vermont not shown.

9 Stores in Northern New Hampshire not shown.

43 Stores in Northern & North Eastern Maine not shown.

VERMONT

NEW HAMPSHIRE

MAINE

MASSACHUSETTS

CONNECTICUT

RHODE ISLAND

OF the 2002 First National Stores, over 800 are within the 10 mile radius of Boston City Hall, — as shown by shaded areas. The balance are in Mass. and the five other N.E. States as indicated by dots in the various townships.

**FIRST NATIONAL STORES INC.
AND SUBSIDIARY COMPANIES**

Consolidated Comparative Balance Sheet, March 31st, 1929 and 1928

ASSETS			
	March 31		Increase
	1929	1928	*Decrease
CURRENT ASSETS:			
Cash in banks and on hand after deducting dividends paid April 1st	\$1,346,829.49	\$772,733.65	\$574,095.84
United States Treasury Certificates	302,177.88	301,234.29	943.59
Accounts receivable	406,301.44	334,744.29	71,557.15
<i>Less</i> —Reserve for bad debts	8,511.82	4,623.61	3,888.21
	\$397,789.62	\$330,120.68	\$67,668.94
Inventories of merchandise, materials, and supplies on hand and in transit, at or below cost or market whichever is lower	8,060,499.76	6,453,575.84	1,606,923.92
Total current assets	\$10,107,296.75	\$7,857,664.46	\$2,249,632.29
INVESTMENTS:			
First National Stores Inc.:			
First preferred and common shares purchased	\$50,686.32	\$56,402.32	*\$5,716.00
First mortgage 5% sinking fund gold bonds purchased	13,790.00	0	13,790.00
Cash deposited with trustee under indenture for first mortgage bonds	39,124.26	0	39,124.26
Miscellaneous securities and advances	166,089.35	60,163.65	105,925.70
Total investments	\$269,689.93	\$116,565.97	\$153,123.96
DEFERRED CHARGES:			
Prepaid insurance and expenses	\$245,897.33	\$199,754.16	\$46,143.17
Leaseholds	110,092.68	129,302.08	*19,209.40
Unamortized bond discount and expenses	47,546.37	49,613.61	*2,067.24
Total deferred charges	\$403,536.38	\$378,669.85	\$24,866.53
FIXED ASSETS:			
Land and buildings owned	\$2,645,058.56	\$2,326,461.54	\$318,597.02
<i>Less</i> —Reserve for depreciation	116,548.03	31,811.86	84,736.17
	\$2,528,510.53	\$2,294,649.68	\$233,860.85
Building improvements, fixtures, machinery and equipment	5,938,690.19	4,824,665.35	1,114,024.84
Automobiles	363,691.91	341,251.86	22,440.05
	\$6,302,382.10	\$5,165,917.21	\$1,136,464.89
<i>Less</i> —Reserve for depreciation	2,296,920.70	1,855,849.09	441,071.61
	\$4,005,461.40	\$3,310,068.12	\$695,393.28
Total fixed assets	\$6,533,971.93	\$5,604,717.80	\$929,254.13
GOOD WILL	1.00	1.00	0
	\$17,314,495.99	\$13,957,619.08	\$3,356,876.91

**FIRST NATIONAL STORES INC.
AND SUBSIDIARY COMPANIES**

Consolidated Comparative Balance Sheet, March 31st, 1929 and 1928

LIABILITIES			
	<i>March 31</i>		Increase *Decrease
	<i>1929</i>	<i>1928</i>	
CURRENT LIABILITIES:			
Notes payable	\$732,575.00	\$675,000.00	\$57,575.00
Acceptances payable under letters of credit	214,386.47	430,403.90	*216,017.43
Purchase money obligation	0	120,000.00	*120,000.00
Accounts payable	2,268,665.95	1,688,422.82	580,243.13
Employees' investment certificates	446,320.00	335,760.00	110,560.00
Provision for federal taxes	428,138.38	242,322.26	185,816.12
Total current liabilities	\$4,090,085.80	\$3,491,908.98	\$598,176.82
FUNDED DEBT:			
First mortgage 5% sinking fund gold bonds	\$1,500,000.00	\$1,500,000.00	0
RESERVES:			
For contingencies	517,898.70	415,945.05	\$101,953.65
For sinking fund preferred stocks	224,570.00	91,570.00	133,000.00
Miscellaneous	8,180.28	13,588.13	*5,407.85
Total reserves	\$750,648.98	\$521,103.18	\$229,545.80
CAPITAL STOCK:			
7% first preferred:			
Authorized and issued or held for exchange for outstanding 8% preferred—50,000 shares, par value \$100.00 each	\$5,000,000.00	\$5,000,000.00	0
Common:			
Authorized at March 31, 1929, 1,000,000 shares without par value			
Issued at March 31, 1929, 628,616 shares.	2,736,627.95	1,727,406.78	\$1,009,221.17
Total capital stock	\$7,736,627.95	\$6,727,406.78	\$1,009,221.17
SURPLUS	\$3,237,133.26	\$1,717,200.14	\$1,519,933.12
	\$17,314,495.99	\$13,957,619.08	\$3,356,876.91

We have examined the accounts of the First National Stores Inc. and its subsidiary companies for the years ending March 31, 1929 and 1928 and certify that, in our opinion, the above consolidated comparative balance sheets and accompanying consolidated statement of earnings and surplus account show the financial position of the combined companies at March 31, 1929 and 1928 and the results of operations for the year ending March 31, 1929.

PRICE, WATERHOUSE & CO.

FIRST NATIONAL STORES INC.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS YEAR ENDING MARCH 31, 1929

Sales		\$75,884,639.29
<i>Less:</i>		
Cost of sales, expenses, interest and other (net) charges		71,971,583.51
		\$3,913,055.78
<i>Deduct:</i>		
Depreciation on fixed assets		456,196.96
		\$3,456,858.82
<i>Deduct:</i>		
Provision for federal taxes		408,820.67
		\$3,048,038.15
<i>Deduct:</i>		
<i>Year-end adjustments:</i>		
Loss on disposition of capital assets	\$43,153.56	
Inventory reserve	100,000.00	143,153.56
		\$2,904,884.59
Net profit for the year ending March 31, 1929		\$2,904,884.59

CONSOLIDATED SURPLUS ACCOUNT FOR THE YEAR ENDING MARCH 31, 1929

Surplus at March 31, 1928		\$1,717,200.14
Net profit for year ending March 31, 1929	\$2,904,884.59	
<i>Less:</i>		
<i>Dividends paid:</i>		
Preferred stock	\$347,931.85	
Common stock	904,019.62	1,251,951.47
		\$1,652,933.12
Balance after dividends		\$1,652,933.12
Provision for sinking fund 7% first preferred stock		133,000.00
Balance added to surplus		\$1,519,933.12
		\$3,237,133.26
Surplus at March 31, 1929		\$3,237,133.26

